

Testimony on Kosova
Before the House International Relations Committee
May 18th, 2005

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Mr. Chairman, members of the committee- thank you for the opportunity to testify before you and members of this committee on this crucial issue. I am honored and grateful for your consideration and I look forward to discussing the current status of Kosova with you. I particularly would like to thank the American people for their continued support and engagement on the issue during the past fifteen years.

Mr. Chairman, it is important to remember that Kosova has already held two democratic elections and developed the foundations of a modern, functioning judicial system. Furthermore, it has made real progress in governance and ethnic relations. However, challenges remain, with the economy and above all, privatization. I would like to note, that whatever progress has been made in respect to privatization, is due to US Office in Prishtina. I would like to briefly discuss the challenges Kosova faces today.

There was much optimism when, six years ago, NATO led forces entered Kosova. Unfortunately, after years of neglect and mistakes much of that optimism has dissipated. The country is in despair. Its society is left without any prospects and is in economic decay with nearly seventy percent unemployment. As the Special Representative to the Secretary General (SRSG) realistically stated 'there is a limit to how long you can keep a place in limbo'.¹ The situation on the ground is too fragile, and the status quo too unsustainable in too many ways. The SRSG has often referred to Kosova as the 'last piece in the puzzle in the Balkans'², as countries move from the conflicts of the 90's towards normalization and stabilization. There is a risk that, instead of catching up with the rest of the continent, Kosova will fall further behind. It must be understood that the issue is no longer whether Kosova should be independent or not, but rather finding the best way to reach its independence.

The painful transition under UNMIK rule has left Kosova's economy in shambles. In terms of GDP per capita, Kosova has the poorest economy in the Balkans. Over 37 % of the population is classified as poor, living on less than €1.42 a day, and 15 percent are below the extreme poverty line of €0.93 a day.³ For those who receive any pension assistance, which amounts to an average daily allowance of €1.30, this provides just enough to purchase a liter of milk and a loaf of bread. Economic growth is low to non-existent, unemployment is high and the public remains pessimistic and distrustful towards international institutions.

Economic growth rates have fallen from double digits (21.2 percent in 2000) to a 4.7 percent in 2003 and 3.2 percent in 2004.⁴ So far the macroeconomic situation has depended heavily on foreign finance. However, since 2000, donor grants have fallen by seventy percent and are forecast to continue to decline.⁵ As external financing falls there is uncertainty on how the economic outlook will improve. This is especially frightening given that over fifty percent of the population is under the age of 25, potentially providing an incentive to turn to illegal activities. UNMIK's answer to the flagging economy has been that the 'privatization process' was supposed to give Kosova's economy a much needed boost. The problem with privatization is that it is more a political than an economic issue. Due to Kosova's suspended status, privatization has been dogged by ownership disputes and certain personalities holding the process hostage through an unwieldy international bureaucracy.⁶

In my own experience, my partner (Rustem Gecaj) and I have seen this bureaucracy first hand. In the past eighteen months, we have invested in four businesses. So far we have only closed on one of them. Our first investment was made on September 2003- it took eight months to finalize the deal. The other contracts are yet to be negotiated, a waiting period of nine months so far. By not being able to close on these deals quickly, the KTA has discouraged other investors from our own community. To complicate things further, there has been political infighting within the KTA, leaving a cloud over the privatization process. During these eighteen months the KTA, by not having a clear vision, has dragged its feet and has discouraged other investments. Moreover, many jobs have been lost that otherwise would have been filled.

Mr. Chairman, it is important to note that neither UNMIK nor the KTA have the capacity to pull Kosova out of its worsening economic recession. And as the international financial institutions have recently concluded, Kosova's economy cannot recover unless its final status is resolved.⁷

Privatization has not worked. To date, the Kosova Trust Agency (KTA) has sold only approximately 30 of the 500 socially-owned enterprises.⁸ This is due to several key factors: Kosova's unresolved political status, UNMIK's stultifying bureaucracy and the inability to obtain personal and governmental financing. It is very important to note that this uncertainty detracts the foreign investments necessary to revitalize the industrial sectors. Estimates of FDI inflows indicate that less than €30 m has been invested since 1999⁹. The obstacle to attracting the necessary FDI requires finding solutions to address political risks and to overcome delays and false-starts with the privatization process. By not being able to guarantee the investments, UNMIK has scared away many investors. However, if successful, the process of privatization will provide Kosova with a stable economy. In order for that to happen Kosova needs its sovereignty.

Much would be achieved with independence. In terms of economic progress, a Kosovar state would be eligible for access to international monetary institutions such as the World Bank and the International Monetary Fund. Currently Kosova is denied the privilege of such access by these institutions' charters that limit access to sovereign nations. Kosovar Albanians have no citizenship or representation abroad. They have been given the

impossible task of building a nation, while they are told they have no nation.¹⁰ This makes it extremely difficult for individuals to obtain loans outside of Kosova. Affording the government the ability to borrow would allow Kosova to develop. An independent Kosova would eliminate any reservations foreign investors have regarding many issues involving future status and enable the Kosovars to concentrate on fostering an attractive environment for investors. We have seen Kosova's unresolved status provide an open door to destabilizing elements from the outside. This gives ammunition to radicals in Kosova and in neighboring countries to use the status quo as a reason to cause instability.

Kosova's unresolved status has fostered fear and distrust in the Albanian community and false hope in the Serbian. It has discouraged foreign investment and has fueled nationalistic tendencies. A sovereign Kosovar state would be in a position to terminate this. An independent Kosova would have a stabilizing effect on the region. Most importantly, an economically prosperous Kosova would have a positive impact upon an area that has been plagued by ethnic tensions. Finally, it would be a key partner in trade and commerce.

It is important to recall the ICG's statement that "Independence for Kosova within its current frontiers is the solution most likely to be capable of implementation and to lead to lasting stability in the region. There really is no acceptable alternative."¹¹ Furthermore, Kosova's future should not be held hostage to some 'benchmarks'. We should move away from a 'standards before status' policy towards a 'standards and status policy'. Kosova's institutions should not be held responsible when progress on standards is being blocked by Belgrade or Kosova Serbs. Progress should not be held against those who are determined to move forward to establish a multi-ethnic Kosova. It is important to remember that Kosova has already held two democratic elections and developed the foundations of a modern, functioning judicial system. Kosova must become an independent sovereign state. Any other option will only invite continued regional instability.

ABOUT THE SPEAKER:

Harry Bajraktari is President of Bajraktari Management Corporation. Since emigrating with his family at the age of 13, Mr. Bajraktari has worked tirelessly to inform the American people about Albanian issues. He is a founding member and was vice chairman of the National Albanian American Council (NAAC) and is currently a member of the NAAC board of directors. The council is not-for-profit organization dedicated to advocating for Albanians and promoting peace and economic development in the Balkans by fostering democratic policy, promoting respect for human rights, and conducting educational and developmental programs. Mr. Bajraktari was also founder and publisher of the Albanian-American Newspaper, Illyria from 1991-1998. Currently Mr. Bajraktari and his partner Mr. Gecaj are the largest private investors in Kosova. Mr. Bajraktari can be reached via email at harry@bajraktarirealty.com

NOTES

¹ SRSG speech to EU parliament 2005

² Ibid

³ The World Bank. *Kosovo Monthly Economic Briefing*. 29 April 2005,

⁴ The World Bank. Kosovo Economic Memorandum. 17 May 2004

⁵ Ibid

⁶ See Higgins, Andrew. Could UN fix Iraq? Word from Kosovo isn't Encouraging. US ousted Tyrant There, Too: Now World Body Struggles with a Privatization Drive. Wall Street Journal. 2 August, 2004.

⁷ The World Bank. *Kosovo Economic Memorandum*. 17 may 2004. The International Monetary Fund's report of 18 November 2004, "*Kosovo's Gearing Policies Toward Growth and Development*". The report took a more explicit line: "*Resolution of Kosova's final status would provide the right enabling environment to the extent that political uncertainty may hinder investment and economic activity more generally*".

⁸ Kosova Trust Agency/Economic Initiative for Kosova

⁹ The World Bank. Kosovo Economic Memorandum

¹⁰ See: Di Lellio, Anna. Land in Limbo. The Guardian (UK). 5 April 2004

¹¹ International Crisis Group: Kosovo: Toward Final Status. 24 January 2005.